

Sparing No Expense:
A Look at Child Care in Connecticut



Study by the Office of Congressman Christopher Murphy

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Introduction

Whether it's small cuts like eating out less or holding off on big purchases like a new car, it's clear that middle class families in Connecticut are still making tough choices when it comes to managing their budget. While our economy is showing signs of improvement, many families have been forced to turn to low-cost unlicensed state daycare facilities to save money. These facilities are often less expensive than state licensed in-home options or child care centers but that discount can come with a price - namely, less peace of mind for parents that their children are being cared for in a safe environment by trained qualified staff.

Since 2000, the cost of child care in the U.S. has increased twice as fast as the median income of families with children.¹ This leaves many parents struggling to cover child care costs, which are sometimes too high to justify the second income these families are earning. In Connecticut specifically, 70% of children under six years old have both parents in the workforce.² For these parents, finding quality, affordable care is an economic necessity.

This report looks at the high cost of child care in Connecticut and the considerable burden it can place on Connecticut families in 15 towns across the state. In response to the alarming findings, Congressman Chris Murphy will be introducing legislation that will double the child care tax benefit for thousands of Connecticut families.

Study Highlights

- According to the survey, full-time child care in Connecticut costs on average \$11,337. This represents 17% of the median household income for CT, nearly double what the US Department of Health and Human Service considers to be the maximum affordable cost of child care.^{1,8}
- The cost of child care in Connecticut varies greatly by town. The town with the lowest average cost of child care is New London at \$7,804, while Stamford had the highest rates at \$15,782.
- The absolute lowest rate reported for care was found at a center in Hartford at \$6,500, while the highest rate was reported by a home-based provider in West Hartford at \$21,840 a year.
- In every town, average rate for center-based child care is consistently higher than home-based child care. The average price of center-based care for the entire state came to \$12,646 versus \$10,254 for care from home-based providers.
- Among the different age groups, the average cost of infant care in Connecticut is \$11,827, the average cost of toddler care is \$11,577 and the cost of pre-school care is \$10,606.

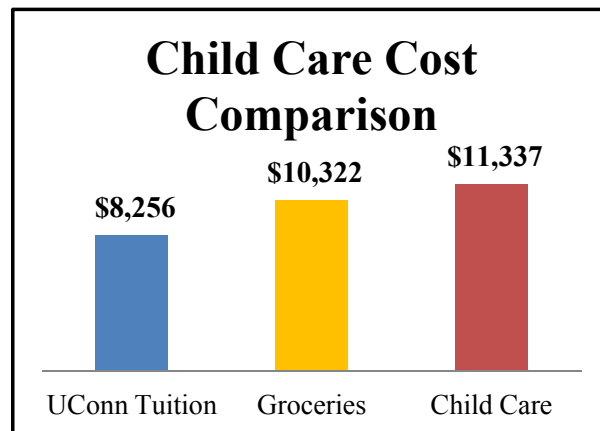
Legislation to Help Middle Class Families

- Since 1981, Congress has allowed employers to provide flexible spending accounts to their employees. These accounts give employees the option of setting aside money tax-free to pay for their dependent care needs. In 1986, these accounts were capped at \$5,000 and not indexed to inflation. However, this amount was never indexed for inflation or increased - leaving middle class families struggling with higher child care costs.
- Rep. Christopher Murphy will soon be introducing the *Child Care Flex Spending Act* to double the existing \$5,000 maximum for families that make less than \$200,000. This increase could help make child care more affordable to thousands of Connecticut families.

- In addition, the maximum amount and maximum income level would be indexed to the Consumer Price Index to ensure that it will not erode over time as it has over the past 26 years.

Programs to Promote Affordable Child Care

Congress has attempted to address the issue of child and dependent care costs for middle class families in the form of two separate tax benefits: the Dependent Care Tax Credit (DCTC) and Dependent Care Assistance Program, otherwise known as flexible spending accounts (FSA). Depending on income level, the DCTC can be claimed for a maximum of 35% of dependent care costs, up to a total of \$3,000 for one child or \$6,000 for two or more children.



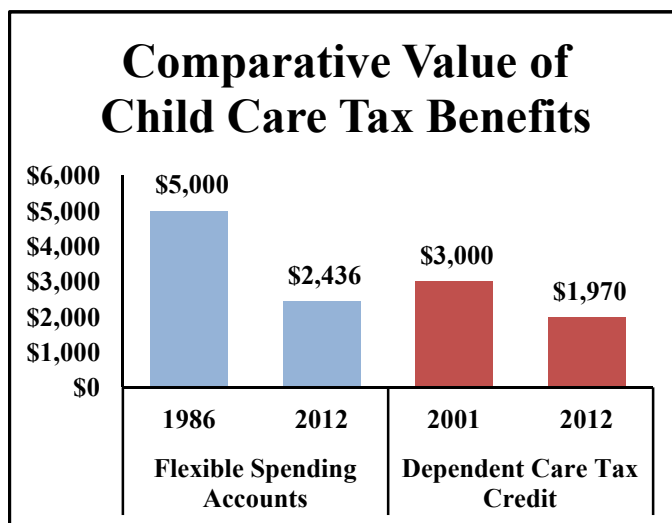
Flexible spending accounts on the other hand, allow employers to offer their employees a tax-free specifically for child care costs. By allocating these funds to this type of account, employees can allocate up to \$5,000 of their salary each year tax-free since they have committed to using these funds for dependent care. If all of these funds are not used, they forfeit the remaining balance of their account. Perhaps due to this “use it or lose it” rule, employees allocate on average only \$3,050 to their FSA accounts.³

Flexible spending accounts were first established in the Economic Recovery Tax Act of 1981 and were last adjusted as part of the Tax Reform Act of 1986. While important at the time, the laws failed to index the amounts over time, which has significantly eroded the benefits. FSA benefits are worth only 48% of their 1986 value and DCTC benefits are now worth only two-thirds of what they were in 2001, when this benefit was last increased.⁴ Stated differently, the maximum dependent care tax credit benefit of \$3,000 in 2012 would buy you only \$1,970 worth of care in 2001 dollars, and the maximum flexible spending account benefit of \$5,000 in 2012 would buy you only \$2,436 worth of care in 1986 dollars.

This effective decrease in child care benefits is contrasted by steadily increasing child care costs, and this situation is simply untenable for the families of Connecticut.¹ The results of the Office of Congressman Christopher Murphy’s survey of 137 child care centers and providers in 15 towns across Connecticut paints a clear picture of child care costs throughout the state, underscoring the need for enhanced dependent care benefits at the federal level.

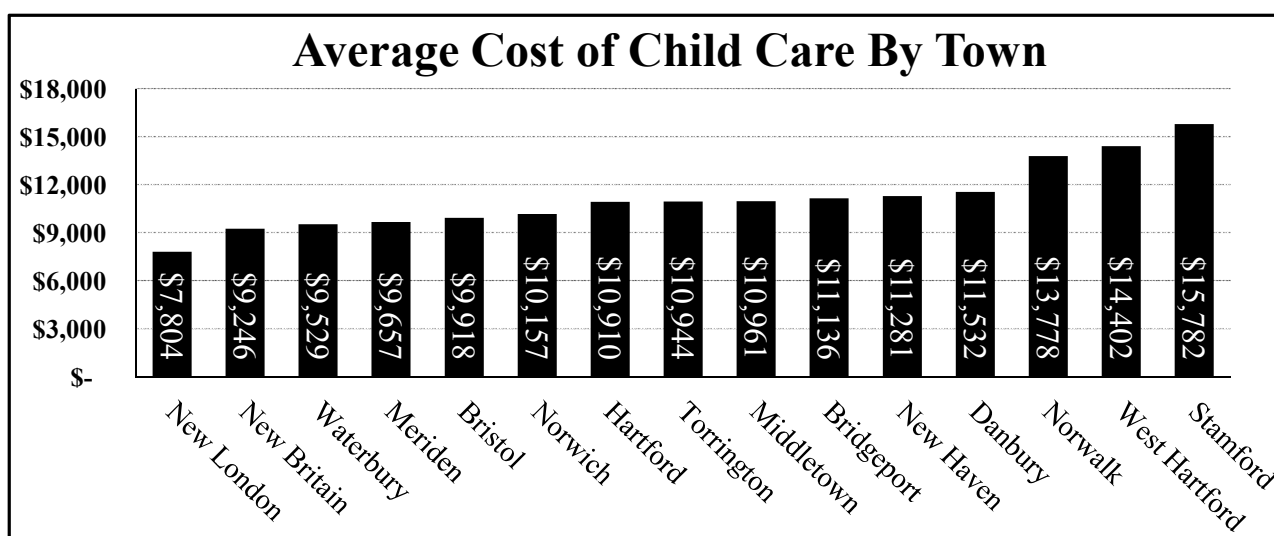
Survey Results

According to the survey, full-time child



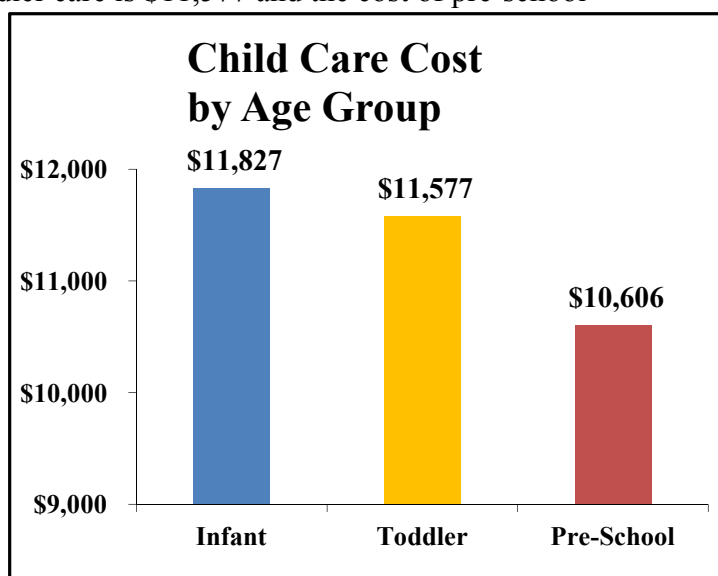
care in Connecticut costs on average \$11,337. This represents 17% of the median household income for CT, which is well above the 10% that the US Department of Health and Human Service considers to be the maximum affordable cost of child care.^{1,8} Furthermore, these averages represent the cost of caring for a single child, whereas typical families must seek care for multiple children. To put these costs in perspective, a full year of tuition at the University of Connecticut costs only \$8,712 and a full year of groceries for a family of four costs \$10,334 (see figure).^{6,7}

The cost of child care in Connecticut varies greatly by town. The town with the lowest average cost of child care is New London at \$7,804, while Stamford had the highest rates at \$15,782 (see figure). The absolute lowest rate reported for care was found at a center in Hartford at \$6,500, while the highest rate was reported by a home-based provider in West Hartford at \$21,840 a year.



For most providers, both center- and home-based, the age of the child to be cared for affected the overall cost of care. Among the different age groups, the average cost of infant care in Connecticut is \$11,827, the average cost of toddler care is \$11,577 and the cost of pre-school care is \$10,606 (see figure).

In addition, provider type also had an effect on the cost of care. In every town, average rate for center-based child care is consistently higher than home-based child care. The average price of center-based care for the entire state came to \$12,646 versus \$10,254 for care from home-based providers. Licensing requirements and regulations are far more rigorous for child care centers than for home-based child care providers, a factor which contributes to the lower rates generally available with home-based providers.



However, this lower level of regulation can lead to concerns about the consistency of care offered by these independent providers.

Conclusion

Affordable child care is essential to a family's economic viability and overall wellbeing. The current benefits offered by the federal government are outdated and as a result, are insufficient to guarantee families access to this essential service. Families in Connecticut need these benefits just as much now as when they were last revised by Congress in 1986. Congress can and should act to ensure that they receive the level of benefits that they deserve.

Congressman Murphy's *Child Care Flex Spending Act* will update our tax laws to make them more responsive to working middle class families who are stretching their budgets to pay for quality child care.

Methodology

Data was gathered from child care centers and providers listed on the Connecticut United Way 2-1-1 Child Care Directory in February 2012⁵. Weekly rates were requested for full-time care for children younger than one, children between the ages of 1 and 3 years, and children older than 3 years.

For each town, rates were obtained from five child care centers and five home-based child care providers, for a total of ten child care providers per town. In Bridgeport, Meriden, Torrington, New London, Middletown and New Britain, fewer than five child care centers listed on the 2-1-1 Child Care Directory met the survey criteria. In New London, only three home-based care providers met the survey criteria. In total, rates were obtained from 137 child care providers across 15 different towns.

Information on child care rates was obtained only from centers and providers who offer care to all age ranges included in the survey. While the sample predominately consists of English-speaking centers and providers, information was obtained from a small number of Spanish-only providers.

Many centers offer sliding fees based on family income. The rates reported in this survey are before any adjustment or subsidy is applied, i.e. the rate a family could expect to pay if they did not qualify for any subsidy or reduced rate based on their income.

Sources

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